

JACKSON HOUSING COMMISSION
JACKSON, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Jackson Housing Commission	County Jackson
Fiscal Year End March 31, 2007	Opinion Date December 17, 2007	Date Audit Report Submitted to State December 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Controls		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 731 S. Garfield Avenue		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

JACKSON HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Jackson Housing Commission
Jackson, Michigan

I have audited the accompanying financial statements of the business-type activities of Jackson Housing Commission, Michigan, a component unit of the City of Jackson, as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Jackson Housing Commission, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jackson Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2007, on my consideration of Jackson Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 13, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Jackson Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Jackson Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Zandick, CPA

December 17, 2007

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2007
(Unaudited)**

As management of the Jackson Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Jackson Housing Commission's financial activities for the fiscal year ended March 31, 2007. This discussion and analysis letter of the Jackson Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2007 were \$10,119,015. The net assets decreased by \$34,913, an decrease of 0.34% from the prior year.

Revenues and contributions for the Commission were \$5,514,887 for the fiscal year ended March 31, 2007. This was an increase of \$514,249 or 10.3% over the prior year.

Expenses for the Commission were \$5,440,074 for the fiscal year ended March 31, 2007. This was a increase of \$100,016 or 1.9% over the prior year.

HUD operating grants were \$3,286,494 for the fiscal year ended March 31, 2007. This was an increase of \$370,334 or 12.7% over the prior year. Capital contributions were \$914,570 for the fiscal year ended March 31, 2007. This was an increase of \$129,525 or 16.5% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Jackson Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$10,119,015 at the close of the fiscal year ended March 31, 2007 an decrease from \$10,153,928 in 2006. The decrease in net assets of \$34,913 was due to the change in net assets for the fiscal year and a prior period adjustment.

The unrestricted net assets were \$308,964 as of March 31, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

FINANCIAL ANALYSIS (CONTINUED)

is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 744,988	\$ 596,251	\$ 148,737	24.95%
Capital assets	<u>10,095,407</u>	<u>10,237,854</u>	(142,447)	(1.39)%
Total Assets	<u>10,840,395</u>	<u>10,834,105</u>	<u>6,290</u>	.06%
Current liabilities	303,064	250,337	52,727	21.06%
Noncurrent liabilities	<u>418,316</u>	<u>429,840</u>	(11,524)	(2.68)%
Total Liabilities	<u>721,380</u>	<u>680,177</u>	<u>41,203</u>	6.06%
Net Assets:				
Invested in capital assets	9,810,051	9,910,451	(100,400)	(1.01)%
Unrestricted	<u>308,964</u>	<u>243,477</u>	<u>65,487</u>	26.90%
Total Net Assets	<u>\$ 10,119,015</u>	<u>\$ 10,153,928</u>	<u>\$ (34,913)</u>	(.34)%

Total current assets increase of \$148,737 was due to accounts receivable, net increased by \$35,232, prepaid expenses increased by \$22,553, and cash increased by \$92,425 in the low rent program, in part, because of less employees this fiscal year.

Current liabilities increased \$52,727 due in large part, to a new ten year contract with Comcast of \$67,905 set up as deferred revenues as of March 31, 2007. The current portion of long-term debt decreased by \$10,095 from the prior fiscal year.

Noncurrent liabilities decreased by \$11,524 from the prior year due to long-term debt decreasing by \$31,952 and accrued compensated absences increasing by \$20,428 over the prior fiscal year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

FINANCIAL ANALYSIS (CONTINUED)

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$1,100,773	\$1,219,780	\$ (119,007)	(9.8) %
Nondwelling rent	<u>11,276</u>	<u>10,056</u>	<u>1,220</u>	12.1 %
Total PHA generated Revenue	1,112,049	1,229,836	(117,787)	(9.6) %
HUD operating grants	3,286,494	2,916,160	370,334	12.7 %
Capital contributions	914,570	785,045	129,525	16.5 %
Other income	68,809	63,484	5,325	8.4 %
Interest income	28,180	6,113	22,067	100.0 %
Gain on sale of assets	<u>104,785</u>	<u> </u>	<u>104,785</u>	100.0 %
Total Revenues and Contributions	<u>5,514,887</u>	<u>5,000,638</u>	<u>514,249</u>	10.3 %
Expenses				
Personal services	1,319,284	1,439,217	(119,933)	(8.3) %
Utilities	418,971	458,993	(40,022)	(8.7) %
Operations and maintenance	426,647	306,232	120,415	39.3 %
Protective services	10,535	8,987	1,548	17.2 %
Insurance	82,321	107,579	(25,258)	(23.5) %
Payments in lieu of taxes	54,239	55,963	(1,724)	(3.1) %
Other supplies and expenses	284,784	282,438	2,346	.8 %
Interest expense	20,318	22,929	(2,611)	(11.4) %
Housing Assistance Payments	2,134,590	2,053,484	81,106	3.9 %
Depreciation	<u>688,385</u>	<u>604,236</u>	<u>84,149</u>	13.9 %
Total Expenses	<u>5,440,074</u>	<u>5,340,058</u>	<u>100,016</u>	1.9 %

Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
(CONTINUED)
MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Change in net assets	74,813	(339,420)	414,233	
Prior period				
adjustments	(109,726)	62,144	(47,582)	
Beginning net assets	<u>10,153,928</u>	<u>10,431,204</u>	<u>(277,276)</u>	
Ending net assets	<u>\$10,119,015</u>	<u>\$10,153,928</u>	<u>\$ (34,913)</u>	

Revenues:

Jackson Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended March 31, 2007 for Public Housing and for Section 8 increased from fiscal year ending March 31, 2006 to March 31, 2007 by \$370,334. For fiscal year ending March 31, 2007, revenue generated by the Commission accounted for \$1,112,049 (or 20.2% of total revenue), while HUD contributions accounted for \$4,201,064 (or 76.2% of total revenue).

Expenses:

Total Expenses for the fiscal ending March 31, 2006 were \$5,340,058 while for the fiscal year ending March 31, 2007 was \$5,440,074. This represents a 1.9% increase in our Operating Costs. The expenses increased, in part, because contract costs for maintenance increased by \$125,999 to rehab 16 units held for sale. Personnel services decreased by \$119,933 because of the FSS program being ended in the low rent program and a maintenance position being eliminated. Utilities decreased by \$40,022, in large part, because of water costs decreasing by \$35,213 and electricity costs decreasing by \$13,345. The Housing Commission's participation in a Water and Energy program has helped reduce utility costs. Insurance costs were reduced by \$25,258 as a result of changing insurance carriers. Housing assistance payments increased \$81,106 because of a higher leaseup rate. Depreciation is higher because of additions to capital assets of \$725,938.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

FINANCIAL ANALYSIS (CONTINUED)

The following represents changes in Federal Assistance received:

	<u>03/31/07</u>	<u>03/31/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing				
Operating Subsidy	\$ 974,911	\$ 993,298	\$ (18,387)	(1.9)%
Capital Fund Program				
Grants	914,570	785,045	129,525	16.5%
Sec. 8 Voucher	<u>2,311,583</u>	<u>1,922,862</u>	<u>388,721</u>	<u>20.2%</u>
Total	<u>\$ 4,201,064</u>	<u>\$3,701,205</u>	<u>\$ 499,859</u>	<u>13.5%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 increased due to HUD's new method of disbursing fund for Housing Choice Vouchers. The subsidy for Public Housing decreased mainly due to the decrease in operating costs. The increase in the Capital Fund Program was due to the fact that work projects during the fiscal year ending March 31, 2007 was for parts of several CFP years, thus utilizing more of our Capital Fund Program funding in the fiscal year ending March 31, 2007 than in the fiscal year ending March 31, 2006.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Jackson Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Low Rent Public Housing	547	552
Sec. 8 Housing Choice Voucher	475	475

During the fiscal year ending March 31, 2007, Jackson Housing Commission maintained a lease-up rate of 96.3% in its Public Housing Program and a lease-up rate of 97.5% in its Section 8 program. These lease-up rates are in excess of HUD guidelines.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

CAPITAL ASSETS

Capital Assets - The Jackson Housing Commission's investment in capital assets, as of March 31, 2007 amounts to \$1,266,522 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Buildings	\$21,648,018	\$20,453,219	\$1,194,799
Furniture, equipment and machinery - dwellings	321,123	282,947	38,176
Furniture, equipment and machinery - administration	300,099	295,842	4,257
Construction in progress	<u>888,294</u>	<u>1,579,588</u>	<u>(691,294)</u>
	23,157,534	22,611,596	545,938
Accumulated depreciation	<u>(13,062,127)</u>	<u>(12,373,742)</u>	<u>688,385</u>
Total	<u>\$10,095,407</u>	<u>\$10,237,854</u>	<u>\$ (142,447)</u>

Capital assets decreased by \$142,447, because of depreciation of \$688,385 and expenditures of \$545,938 for site improvements and the purchase of forty five gas ranges.

STATEMENT OF MANAGEMENT OPERATIONS

The Jackson Housing Commission presents this fiscal year that ended March 31, 2007, Statement of Management Operations. In general, the Commission believes it has completed its fiscal year with the financial resources necessary to successfully achieve its ongoing mission of providing housing, and housing opportunities, to low and moderate income families in the City and County of Jackson, Michigan.

1. Analysis of Overall Financial Position and Results of Operations.

- a. Public Housing.** The Commission's public housing program increased overall income by \$181,737 compared to the previous year, principally through home sales. Overall rental income was \$1,100,773, or 9.7% under budget. Interest income was, again, almost negligible in that capital reserves are insufficient, and interest rates remain somewhat low, in order to realize any real income from investments. While overall actual expenses were

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

STATEMENT OF MANAGEMENT OPERATIONS (CONTINUED)

1. Analysis of Overall Financial Position and Results of Operations.

a. Public Housing (continued).

were some \$38,250 lesser than last year. The principle cause for reduced expenditures was due to reduction in Staff, primarily in tenant services, and overall utility expenditures which were reduced by \$40,000.

b. Section 8 Program. The Commission continued its reduction in Housing Assistance Payments by its reduction of Housing Assistance Payment Standards back to 100% of Fair Market rents from the HUD permitted 110%. Section 8 Administrative Staff maintained a voucher "lease up rate" at a monthly average 97.5%. Lease up rates as a percentage of Housing Assistance Payments averaged 98.8%. Administrative program expenses were higher than budgeted (as anticipated because of reduced administrative fees); however, there are adequate administrative reserves to meet shortages for at least the next two years.

2. Analysis of Balances and Transactions of Individual Funds.

There were no significant changes in fund balances or fund net assets that would significantly affect fund balances for future use.

3. Variations Between Original and Final Budget Amounts.

See response to (1), above.

4. Capital Asset and Long-Term Debt Activity.

The Commission's Energy Performance Contract with Water and Energy Savings Corporation of St. Pete, Florida, requires repayment of principle and interest on an Energy Performance Loan taken out by the City of Jackson on the Commission's behalf, and payment of 15% of the utility cost savings to WESCO for contract administration for twelve years from the loan's inception. Savings realized from the project is designed to be more than adequate to repay the loan and administration costs, and that has been the experience to date.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

STATEMENT OF MANAGEMENT OPERATIONS (CONTINUED)

5. Current Facts, Decisions, or Conditions Effect on Net Assets or Results of Operations.

In March, 2006, because of significant reductions in HUD operating subsidy, the Commission determined to require the Commission's Director of Family Services Programs take early retirement, and the lay off of the Family Services Coordinator, one Housing Aide and one Maintenance Aide to cut payroll and fringe benefit costs to help meet expenses. Effected personnel's duties were distributed among remaining staff. Further, prospective pay increases to staff were delayed to October 1, 2006.

In fiscal year 2007 the Commission sold an additional five scattered site single family homes under its Section 5(h) Home Ownership Program. With the continuation of home sales the overall effect on net assets will alter the Commission's housing assistance programs significantly. It is anticipated that all fifty units should be sold in the next two to four years. Proceeds will go toward development of other housing assistance resources.

The Commission is positioning itself as well as possible for productive work under the HUD required Asset Management program.

There are no other known current facts, decisions, or conditions that would result in a significant effect on net assets or results of operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Phillip M. Fracker, PHM
Executive Director
301 Steward Avenue
Jackson, Michigan 49201

FINANCIAL STATEMENTS

JACKSON HOUSING COMMISSION
STATEMENT OF NET ASSETS
 March 31, 2007
 =====

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 449,573
Receivables	107,959
Investments	100,000
Prepaid expenses	<u>87,456</u>
Total Current Assets	<u>744,988</u>
Capital Assets:	
Buildings	21,648,018
Equipment	621,222
Construction in progress	<u>888,294</u>
	23,157,534
Less: accumulated depreciation	<u>(13,062,127)</u>
Net Capital Assets	<u>10,095,407</u>
Total Assets	<u><u>\$ 10,840,395</u></u>

See notes to financial statements

JACKSON HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2007
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 54,239
Tenant security deposit liability	86,150
Accrued expenses	17,944
Deferred revenues	74,668
Current portion of long-term debt	28,535
Accrued liabilities-other	<u>41,528</u>
Total Current Liabilities	<u>303,064</u>
Noncurrent liabilities:	
Long-term debt, net of current	256,821
Accrued compensated absences	<u>161,495</u>
Total Noncurrent Liabilities	<u>418,316</u>
Total Liabilities	<u>721,380</u>
Net Assets:	
Invested in capital assets	9,810,051
Unrestricted net assets	<u>308,964</u>
Total Net Assets	<u>10,119,015</u>
Total Liabilities and Net Assets	<u>\$ 10,840,395</u>

See notes to financial statements

JACKSON HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Year Ended March 31, 2007

=====

OPERATING REVENUES:

Dwelling rent	\$ 1,100,773
Nondwelling rent	<u>11,276</u>
 Total operating revenues	 <u>1,112,049</u>

OPERATING EXPENSES:

Administration	896,695
Tenant services	44,382
Utilities	418,971
Ordinary maintenance and operation	1,008,138
Protective services	10,535
General expenses	213,855
Interest expense	20,318
Casualty losses	4,205
Housing assistance payments	2,134,590
Depreciation	<u>688,385</u>
 Total operating expenses	 <u>5,440,074</u>

Operating income(loss)	<u>(4,328,025)</u>
------------------------	--------------------

NONOPERATING REVENUES:

Investment interest income	28,180
Other income	68,809
Operating grants	3,437,465
Capital grants	763,599
Proceeds from sale of assets	284,785
Cost of sales of assets	<u>(180,000)</u>

Total nonoperating revenues	<u>4,402,838</u>
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Change in net assets	74,813
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Prior period adjustments	(109,726)
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Net assets, beginning	<u>10,153,928</u>
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Net assets, ending	<u><u>\$10,119,015</u></u>
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See notes to financial statements

JACKSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2007

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 1,140,846
Cash payments to other suppliers of goods and services	(3,479,650)
Cash payments to employees for services	<u>(1,273,887)</u>
Net cash (used) by operating activities	<u>(3,612,691)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	(2,480)
Operating grants	3,437,465
Other revenue	<u>68,809</u>
Net cash provided by noncapital financing activities	<u>3,503,794</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments on long-term debt	(42,047)
Proceeds from sale of assets	284,785
Capital grants	653,873
Payments for capital acquisitions	<u>(725,938)</u>
Net cash provided by capital and related financing activities	<u>170,673</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased by	(100,000)
Receipts of interest and dividends	<u>28,180</u>
Net cash (used) by investing activities	<u>(71,820)</u>

Net increase(decrease) in cash	(10,044)
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Cash and cash equivalents, beginning	<u>459,617</u>
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Cash and cash equivalents, ending	<u><u>\$ 449,573</u></u>
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JACKSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2007

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**RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:**

Operating income(loss)	\$(4,328,025)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	688,385
Bad debt allowance adjustment	4,306
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-miscellaneous	(997)
Accounts receivable-tenants	(39,538)
Prepaid expenses	(22,553)
Increase (decrease) in liabilities:	
Bankoverdraft	(74,008)
Accounts payable	(5,677)
Accrued compensated absences	22,699
Other current liabilities	20,143
Accounts payable-PILOT	54,239
Deferred revenues	<u>68,335</u>
Net cash (used) by operating activities	<u><u>\$(3,612,691)</u></u>

See notes to financial statements

JACKSON HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2007
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NOTE 1: Summary of Significant Accounting Policies

The Jackson Housing Commission (the Housing Commission) is a component unit of the City of Jackson, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Jackson on February 26, 1946, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

1(c) Measurement Focus and Basis of Accounting (Continued)

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

1(d) Assets, Liabilities, and Equity (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$25 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	15 - 20 years
Buildings	40 years
Building improvements	20 years
Nondwelling structures	10 years
Furniture, equipment and machinery	7 years

1(d) Assets, Liabilities, and Equity (Continued)

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

1(e) Revenues, Expenditures, and Expenses (Continued)

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

2(c) Revenue Restrictions (Continued)

For the year ended March 31, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 95,857	\$ 95,857	\$	\$	\$ 94,699
Savings	421	421			421
Certificate of deposit	650	650			650
	<u>\$ 96,928</u>	<u>\$ 96,928</u>	<u>\$</u>	<u>\$</u>	<u>\$ 95,770</u>

3(a) Cash and Investments (Continued)

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificates of deposits	<u>\$ 51,719</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 51,719</u>	<u>\$ 51,719</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 225
Carrying amount of deposits	95,770
Investments	<u>51,719</u>
Total	<u>\$ 147,714</u>
Cash and investments:	
Enterprise activities	\$ 148,945
Enterprise activities - checks written in excess of deposits	<u>(1,231)</u>
Total	<u>\$ 147,714</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2007, is as follows:

Miscellaneous	\$ 997
Tenant accounts receivable	118,847
Allowance for doubtful accounts	<u>(11,885)</u>
	<u>\$ 107,959</u>

3(c) Capital Assets

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Balance 03/31/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/07</u>
Low Rent Program				
Buildings	\$20,453,219	\$1,345,167	\$ (150,368)	\$21,648,018
Furniture, equip. & machinery - dwellings	282,947	38,176		321,123
Furniture, equip. & machinery - administration	<u>262,501</u>	<u>4,257</u>		<u>266,758</u>
	20,998,667	<u>\$1,237,232</u>	<u>\$</u>	22,235,899
Less accumulated depreciation	<u>(12,340,401)</u>	<u>\$ (688,385)</u>	<u>\$</u>	<u>(13,028,786)</u>
Total	<u>\$ 8,658,266</u>			<u>\$ 9,207,113</u>

Capital Fund Program

Construction in progress	<u>\$ 1,579,588</u>	<u>\$ 653,873</u>	<u>\$ (1,345,167)</u>	<u>\$ 888,294</u>
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Housing Choice

Voucher Program

Furniture, equip. & machinery - administration	\$ 33,341	<u>\$</u>	<u>\$</u>	\$ 33,341
Less accumulated depreciation	<u>(33,341)</u>	<u>\$</u>	<u>\$</u>	<u>(33,341)</u>
Total	<u>\$</u>			<u>\$</u>

Combined Totals

\$10,095,407

3(d) Accounts Payable

Payable detail at March 31, 2007, is as follows:

Accounts payable - other government-PILOT	<u>\$ 54,239</u>
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3(e) Accrued Expenses

Accrued expense detail at March 31, 2007, is as follows:

Accrued compensated absences-current portion	<u>\$ 32,087</u>
--	------------------

3(f) Accrued Liabilities-Other

Accrued liabilities-other at March 31, 2007, is as follows:

Accrued FSS escrows	\$ 3,251
Performance deposits for energy contract	<u>1,075</u>
	<u>\$ 4,326</u>

3(g) Non-current Liabilities

As of March 31, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	\$ 161,495
Long-term debt, net of current	<u>256,821</u>
	<u>\$ 418,316</u>

3(h) Interprogram Transactions and Balances

Operating Transfers

There was an operating transfer of \$150,971 from the capital fund program to the low rent program during the fiscal year ended March 31, 2007.

Interprogram Receivable/Payable

There were no interprogram receivables and payables.

3(i) Long-term Debt

An installment purchase agreement was signed and dated September 20, 2000 by and between the City of Jackson(City) and the Jackson Housing Commission(JHA) with the Water & Energy Savings Corporation(WESC) of Lake Lure, North Carolina and the National City Bank(Bank) of Michigan/Illinois, Lansing, Michigan as the assignee.

The City agreed to purchase and WESC agreed to sell and provide the City and JHA certain water and energy conservation equipment to be installed in public housing facilities operated by JHA for the sum of \$487,000. The purchase price is payable in quarterly payments of principal and interest on each December 1, March 1, June 1 and September 1, commencing December 1, 2000 and ending on September 1, 2011. The interest rate is at 6.4169% with the annual payments of principal and interest at approximately \$62,500 per year.

Debt principal requirements for the ensuing five-year period are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
3/31/08	\$ 17,494.95	\$ 44,814.20	\$ 62,309.15
3/31/09	14,508.98	47,759.84	62,268.82
3/31/10	11,326.75	50,899.08	62,225.83
3/31/11	7,935.36	54,244.66	62,180.02
3/31/12			
Thereafter			
	<u>\$ 56,314.73</u>	<u>\$285,352.72</u>	<u>\$ 341,667.45</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

Each employee is covered under a defined benefit plan through the City of Jackson plan. The plan funds are invested with local bank pension plan managers. The Housing Commission and each employee contributes 2.5% of the employee's annual compensation. The Housing Commission's portion of the pension cost was \$22,642 during the fiscal year ended March 31, 2007. Further details of funding the pension assets are contained in a separate report with the City of Jackson.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance from Housing Authority Risk Retention Group.
b. Injuries to employees (workers' compensation)	Included in the City of Jackson plan.
c. Physical property loss and natural disasters	Purchased commercial insurance from Housing Insurance Services, Inc.
d. Liability	Purchased commercial liability insurance from Housing Authority Risk Retention Group.
e. Health, life, and disability	Included in the City of Jackson's insurance plans.
f. Dental and Optical	The Housing Commission reimburses the employees up to \$1,000 per year.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At March 31, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2004 CFP	\$ 764,604	\$ 633,785
2005 CFP	699,224	451,764
2006 CFP	237,988	228,683

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Equity transfer-2002 cfp	\$ 734,790
Equity transfer-2003 cfp	<u>610,377</u>
	<u>\$ 1,345,167</u>

Capital Fund Program

Correction of prior year soft cost	\$ (109,726)
Transfer to low rent	<u>(1,345,167)</u>
	<u>\$ (1,454,893)</u>

NOTE 5: Segment Information

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2007, was as follows:

	Low Rent Program	Capital Fund Program	Housing Choice Vouchers
Condensed Statement of Net Assets			
Current assets	\$ 413,664	\$	\$ 331,324
Capital assets	9,207,113	888,294	
Total assets	<u>\$ 9,620,777</u>	<u>\$ 888,294</u>	<u>\$ 331,324</u>
Current liabilities	\$ 265,862	\$	\$ 37,202
Noncurrent liabilities	418,316		
Total liabilities	<u>684,178</u>		<u>37,202</u>
Net assets:			
Invested in capital assets, net of related debt	8,921,757	888,294	
Unrestricted net assets	14,842		294,122
Total net assets	<u>8,936,599</u>	<u>888,294</u>	<u>294,122</u>
Total liabilities & net assets	<u>\$ 9,620,777</u>	<u>\$ 888,294</u>	<u>\$ 331,324</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Dwelling and nondwelling rents	\$ 1,112,049	\$	\$
Depreciation	(688,385)		
Other operating expenses	(2,425,395)		(2,326,294)
Operating(loss)	<u>(2,001,731)</u>		<u>(2,326,294)</u>
Nonoperating revenues:			
Investment earnings	5,369		22,811
Other income	68,809		
Gain on sale of assets	104,785		
Operating grants	974,911	150,971	2,311,583
Capital grants		763,599	
Operating transfers	150,971	(150,971)	
Total nonoperating revenues	<u>1,304,845</u>	<u>763,971</u>	<u>2,334,394</u>
Change in net assets	(696,886)	763,971	8,100
Prior period adjustments	1,345,167	(1,454,893)	
Beginning net assets	<u>8,288,318</u>	<u>1,579,588</u>	<u>286,022</u>
Ending net assets	<u>\$ 8,936,599</u>	<u>\$ 888,294</u>	<u>\$ 294,122</u>

NOTE 5: Segment Information (continued)

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Cash Flows			
Net cash provided(used) by:			
Operating activities	\$(1,302,292)	\$	\$(2,310,399)
Noncapital financing activities	1,218,676		2,285,118
Capital and related financing activities	170,673		
Investing activities	<u>5,369</u>	<u></u>	<u>(77,189)</u>
Net increase(decrease)	92,426		(102,470)
Beginning cash and cash equivalents	<u>126,820</u>	<u></u>	<u>332,797</u>
Ending cash and cash equivalents	<u>\$ 219,246</u>	<u>\$</u>	<u>\$ 230,327</u>

SUPPLEMENTARY INFORMATION

JACKSON HOUSING COMMISSION
**COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM**

March 31, 2007

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C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
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ASSETS

Current assets:		
Cash and cash equivalents	\$ 219,246	\$
Receivables:		
Miscellaneous		
Tenants-dwelling rents	118,847	
Allowance for doubtful accounts	(11,885)	
Investments-unrestricted		
Prepaid expenses	<u>87,456</u>	
Total current assets	<u>413,664</u>	
Capital assets:		
Buildings	21,648,018	
Equipment	587,881	
Construction in progress		<u>888,294</u>
	<u>22,235,899</u>	888,294
Less accumulated depreciation	<u>(13,028,786)</u>	
Net capital assets	<u>9,207,113</u>	<u>888,294</u>
Total Assets	<u><u>\$ 9,620,777</u></u>	<u><u>\$ 888,294</u></u>

\$ 230,327	\$ 449,573
997	997
	118,847
	(11,885)
100,000	100,000
<u> </u>	<u>87,456</u>
<u>331,324</u>	<u>744,988</u>
	21,648,018
33,341	621,222
<u> </u>	<u>888,294</u>
33,341	23,157,534
(33,341)	<u>(13,062,127)</u>
<u> </u>	<u>10,095,407</u>
<u>\$ 331,324</u>	<u>\$ 10,840,395</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)
 March 31, 2007

=====

	C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 54,239	\$
Tenant security deposit liability	86,150	
Accrued expenses	17,944	
Deferred revenues	74,668	
Current portion of long-term debt	28,535	
Current liabilities	1,075	
Accrued liabilities-other	<u>3,251</u>	
Total current liabilities	<u>265,862</u>	
Noncurrent liabilities:		
Long-term debt, net of current	256,821	
Accrued compensated absences	<u>161,495</u>	
Total noncurrent liabilities	<u>418,316</u>	
Total liabilities	<u>684,178</u>	
Net Assets:		
Invested in capital assets	8,921,757	888,294
Unrestricted net assets	<u>14,842</u>	
Total net assets	<u>8,936,599</u>	<u>888,294</u>
Total Liabilities and Net Assets	<u>\$9,620,777</u>	<u>\$ 888,294</u>

Housing Choice Vouchers <u>14,871</u>	<u>Totals</u>
\$	\$
	54,239
	86,150
	17,944
	74,668
	28,535
37,202	38,277
<u> </u>	<u>3,251</u>
<u>37,202</u>	<u>303,064</u>
	256,821
<u> </u>	<u>161,495</u>
<u> </u>	<u>418,316</u>
<u>37,202</u>	<u>721,380</u>
	9,810,051
<u>294,122</u>	<u>308,964</u>
<u>294,122</u>	<u>10,119,015</u>
<u>\$ 331,324</u>	<u>\$ 10,840,395</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS BY PROGRAM
Year Ended March 31, 2007
=====

	C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$1,100,773	\$
Nondwelling rent	<u>11,276</u>	<u> </u>
Total operating revenues	<u>1,112,049</u>	<u> </u>
OPERATING EXPENSES:		
Administration	704,991	
Tenant services	44,382	
Utilities	418,971	
Ordinary maintenance and operation	1,008,138	
Protective services	10,535	
General expenses	213,855	
Interest expense	20,318	
Casualty losses	4,205	
Housing assistance payments		
Depreciation	<u>688,385</u>	<u> </u>
Total operating expenses	<u>3,113,780</u>	<u> </u>
Operating income(loss)	<u>(2,001,731)</u>	<u> </u>
NONOPERATING REVENUES (EXPENSES) :		
Operating transfers in(out)	150,971	(150,971)
Investment interest income	5,369	
Other income	68,809	
Operating grants	974,911	150,971
Capital grants		763,599
Proceeds from sale of assets	284,785	
Cost of sales of assets	<u>(180,000)</u>	<u> </u>
Total nonoperating revenues (expenses)	<u>1,304,845</u>	<u>763,599</u>
Change in net assets	(696,886)	763,599
Prior period adjustments, equity transfers and correction of errors	1,345,167	(1,454,893)
Net assets, beginning	<u>8,288,318</u>	<u>1,579,588</u>
Net assets, ending	<u>\$8,936,599</u>	<u>\$ 888,294</u>

Housing Choice Vouchers <u>14,871</u>	<u>Totals</u>
\$	\$ 1,100,773
	<u>11,276</u>
	<u>1,112,049</u>
191,704	896,695
	44,382
	418,971
	1,008,138
	10,535
	213,855
	20,318
	4,205
2,134,590	2,134,590
	<u>688,385</u>
<u>2,326,294</u>	<u>5,440,074</u>
<u>(2,326,294)</u>	<u>(4,328,025)</u>
22,811	28,180
	68,809
2,311,583	3,437,465
	763,599
	284,785
	<u>(180,000)</u>
<u>2,334,394</u>	<u>4,402,838</u>
8,100	74,813
	(109,726)
<u>286,022</u>	<u>10,153,928</u>
<u>\$ 294,122</u>	<u>\$ 10,119,015</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2007

=====

	C-3005 Low Rent Program 14.850a	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 1,140,846	\$
Cash payments to other suppliers of goods and services	(1,327,025)	
Cash payments to employees for services	(1,116,113)	
Cash payments for in lieu of taxes		
Net cash (used) by operating activities	<u>(1,302,292)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interprogram due from(to)	26,465	
Operating transfers in(out)	150,971	(150,971)
Tenant security deposits	(2,480)	
Operating grants	974,911	150,971
Other revenue	<u>68,809</u>	
Net cash provided by noncapital financing activities	<u>1,218,676</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long-term debt	(42,047)	
Proceeds from sale of assets	284,785	
Capital grants		653,873
Payments for capital acquisitions	<u>(72,065)</u>	<u>(653,873)</u>
Net cash provided by capital and related financing activities	<u>170,673</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased		
Receipts of interest and dividends	<u>5,369</u>	
Net cash provided(used) by investing activities	<u>5,369</u>	
Net increase(decrease) in cash	92,426	
Cash and cash equivalents, beginning	<u>126,820</u>	
Cash and cash equivalents, ending	<u>\$ 219,246</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 1,140,846
(2,152,625)	(3,479,650)
(157,774)	(1,273,887)
<u>(2,310,399)</u>	<u>(3,612,691)</u>
(26,465)	
2,311,583	(2,480)
<u>2,285,118</u>	<u>3,437,465</u>
	<u>68,809</u>
	<u>3,503,794</u>
	(42,047)
	284,785
	653,873
<u></u>	<u>(725,938)</u>
	<u>170,673</u>
(100,000)	(100,000)
<u>22,811</u>	<u>28,180</u>
<u>(77,189)</u>	<u>(71,820)</u>
(102,470)	(10,044)
<u>332,797</u>	<u>459,617</u>
<u>\$ 230,327</u>	<u>\$ 449,573</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)

Year Ended March 31, 2007

=====

C-3005	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:

Operating income(loss)	\$(2,001,731)	\$
Adjustments to reconcile operating		
(loss) to net cash provided(used)		
by operating activities:		
Depreciation	688,385	
Bad debt allowance adjustment	4,306	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-misc.		
Accounts receivable-tenants	(39,538)	
Prepaid expenses	(22,553)	
Increase (decrease) in		
liabilities:		
Bankoverdraft	(74,008)	
Accounts payable	(5,677)	
Accrued compensated absences	22,699	
Other current liabilities	3,251	
Accounts payable-PILOT	54,239	
Deferred revenues	<u>68,335</u>	
Net cash (used) by operating		
activities	<u><u>\$(1,302,292)</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Totals
\$ (2,326,294)	\$ (4,328,025)
	688,385
	4,306
(997)	(997)
	(39,538)
	(22,553)
	(74,008)
	(5,677)
	22,699
16,892	20,143
	54,239
	68,335
<u>\$ (2,310,399)</u>	<u>\$ (3,612,691)</u>

JACKSON HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 974,911
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2007	Capital Fund Program	14.872	914,570
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2007	Housing Choice Vouchers	14.871	<u>2,311,583</u>
	Total		<u>\$4,201,064</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
Year Ended March 31, 2007
=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 133,096	\$
114	Cash-tenant security deposits	<u>86,150</u>	<u> </u>
100	Total cash	<u>219,246</u>	<u> </u>
	Receivables:		
125	A/R-miscellaneous		
126	A/R-tenants-dwelling rents	118,847	
126.1	Allowance for doubtful accounts - dwelling rents	<u>(11,885)</u>	<u> </u>
120	Total receivables, net of allowance for doubtful accounts	<u>106,962</u>	<u> </u>
131	Investments-unrestricted	<u> </u>	<u> </u>
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>87,456</u>	<u> </u>
150	Total current assets	<u>413,664</u>	<u> </u>
	Noncurrent Assets:		
	Fixed Assets:		
162	Buildings	21,648,018	
163	Furn, equip & mach-dwellings	321,123	
164	Furn, equip & mach-admin.	266,758	
166	Accumulated depreciation	(13,028,786)	
167	Construction in progress	<u> </u>	<u>888,294</u>
160	Total fixed assets, net of accumulated depreciation	<u>9,207,113</u>	<u>888,294</u>
180	Total noncurrent assets	<u>9,207,113</u>	<u>888,294</u>
190	Total Assets	<u>\$ 9,620,777</u>	<u>\$888,294</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
 \$ 230,327	 \$ 363,423
<u>230,327</u>	<u>86,150</u>
	<u>449,573</u>
 997	 997
	118,847
<u> </u>	<u>(11,885)</u>
 <u>997</u>	 <u>107,959</u>
<u>100,000</u>	<u>100,000</u>
<u> </u>	<u>87,456</u>
<u>331,324</u>	<u>744,988</u>
	21,648,018
	321,123
33,341	300,099
(33,341)	(13,062,127)
<u> </u>	<u>888,294</u>
<u> </u>	<u>10,095,407</u>
<u> </u>	<u>10,095,407</u>
<u>\$ 331,324</u>	<u>\$ 10,840,395</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007

=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
322	Accrued compensated absences- current portion	\$ 17,944	\$
333	Accounts payable-other government	54,239	
341	Tenant security deposits	86,150	
342	Deferred revenues	74,668	
343	Current portion of long-term debt	28,535	
345	Current liabilities	1,075	
346	Accrued liabilities-other	<u>3,251</u>	
310	Total current liabilities	<u>265,862</u>	
	Noncurrent Liabilities:		
351	Long-term debt, net of current	256,821	
354	Accrued compensated absences	<u>161,495</u>	
350	Total noncurrent liabilities	<u>418,316</u>	
300	Total liabilities	<u>684,178</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>8,921,757</u>	<u>888,294</u>
508	Total invested in capital assets	8,921,757	888,294
512.1	Unrestricted net assets	<u>14,842</u>	
513	Total Net Assets	<u>8,936,599</u>	<u>888,294</u>
600	Total Liabilities and Net Assets	<u>\$ 9,620,777</u>	<u>\$888,294</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 17,944
	54,239
	86,150
	74,668
	28,535
37,202	38,277
<u> </u>	<u>3,251</u>
<u>37,202</u>	<u>303,064</u>
	256,821
<u> </u>	<u>161,495</u>
<u> </u>	<u>418,316</u>
<u>37,202</u>	<u>721,380</u>
<u> </u>	<u>9,810,051</u>
	9,810,051
<u>294,122</u>	<u>308,964</u>
<u>294,122</u>	<u>10,119,015</u>
<u>\$ 331,324</u>	<u>\$ 10,840,395</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007
=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$1,100,773	\$
704	Tenant revenue-other	<u>11,276</u>	
705	Total tenant revenue	1,112,049	
706	HUD PHA grants	974,911	150,971
706.1	Capital grants		763,599
711	Investment income-unrestricted	5,369	
713	Proceeds from disposition of assets held for sale	284,785	
713.1	Cost of sales of assets	(180,000)	
715	Other income	<u>68,809</u>	
700	Total revenue	<u>2,265,923</u>	<u>914,570</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	366,564	
912	Auditing fees	4,750	
914	Compensated absences	22,698	
915	Employee benefit contributions	165,634	
916	Other operating-administrative	145,345	
	Tenant services:		
921	Salaries	14,402	
923	Employee benefit contributions	6,516	
924	Other	23,464	
	Utilities:		
931	Water	97,334	
932	Electricity	160,963	
933	Gas	160,674	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	396,666	
942	Ordinary maint & oper-materials & other	108,188	
943	Ordinary maint & oper-contract costs	314,254	
945	Employee benefit contributions	189,030	
953	Protective services-other	10,535	
	General expenses:		
961	Insurance premiums	82,321	
962	Other general services	72,989	
963	Payments in lieu of taxes	54,239	
964	Bad debt-tenant rents	4,306	
967	Interest expense	<u>20,318</u>	

Housing Choice Vouchers 14.871	Totals
\$	\$ 1,100,773
	11,276
	1,112,049
2,311,583	3,437,465
	763,599
22,811	28,180
	284,785
	(180,000)
	68,809
<u>2,334,394</u>	<u>5,514,887</u>

122,732	489,296
1,500	6,250
	22,698
35,042	200,676
32,430	177,775

14,402
6,516
23,464

97,334
160,963
160,674

396,666

108,188

314,254
189,030
10,535

82,321
72,989
54,239
4,306
<u>20,318</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007
=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
969	Total operating expenses	<u>2,421,190</u>	<u> </u>
970	Excess operating revenue over operating expenses	<u>(155,267)</u>	<u>914,570</u>
	Expenses continued:		
	Other expenses:		
972	Casualty losses	4,205	
973	Housing assistance payments		
974	Depreciation expense	<u>688,385</u>	<u> </u>
	Total other expenses	<u>692,590</u>	<u> </u>
900	Total expenses	<u>3,113,780</u>	<u> </u>
	Other Financing Sources(Uses):		
1001	Operating transfers in(out)	<u>150,971</u>	<u>(150,971)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	<u>(696,886)</u>	<u>763,599</u>
1103	Beginning Net Assets	8,288,318	1,579,588
1104	Prior period adjustments, equity transfers and correction of errors	<u>1,345,167</u>	<u>(1,454,893)</u>
	Ending Net Assets	<u>\$ 8,936,599</u>	<u>\$ 888,294</u>

Housing Choice Vouchers 14.871	Totals
191,704	2,612,894
2,142,690	2,901,993
2,134,590	4,205 2,134,590 688,385
2,134,590	2,827,180
2,326,294	5,440,074
8,100	74,813
286,022	10,153,928
	(109,726)
\$ 294,122	\$ 10,119,015

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Jackson Housing Commission
Jackson, Michigan

I have audited the financial statements of the business-type activities of Jackson Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated December 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Jackson Housing Commission
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Tardiff, CPA, PC

December 17, 2007

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Jackson Housing Commission
Jackson, Michigan

Compliance

I have audited the compliance of Jackson Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Jackson Housing Commission
Page Two

Compliance (continued)

As described in items 07-1, 07-3, and 07-4 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility that are applicable, in our opinion, for the Housing Commission, to comply with requirements applicable to the Low Rent and Housing Choice Voucher programs. Also, as described in item 07-2 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding the waiting list that are applicable, in our opinion, for the Housing Commission, to comply with requirements applicable to the Low Rent program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Housing Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, and 07-4.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Jackson Housing Commission
Page Three

Internal Control Over Compliance (continued)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 07-2 and 07-4 to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sandy E. Faudette, M.A.

December 17, 2007

JACKSON HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
March 31, 2007
=====

The prior audit report for the year ended March 31, 2007 contained no audit findings.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2007

=====

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of Auditor's Report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? No
- * Reportable condition(s) identified that are not considered to be a material weaknesses? None reported

Noncompliance material to financial statements noted? No

Is a "going concern" explanatory paragraph included in the audit report? No

Federal Awards:

Internal control over major programs:

- * Material weakness(es) identified? Yes
- * Reportable condition(s) that are not considered to be material weaknesses? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

CFDA Number	Federal Program	Amount Expended	Major Program	Compliance Requirement	Questioned Costs	Audit Finding
14.850a	Low Rent Public Housing	\$974,911	Yes	E,N	N/A	07-1,2
14.872	Capital Fund Program	914,570	Yes	O	N/A	N/A
14.871	Voucher Program	2,311,583	Yes	E	N/A	07-3,4

The threshold for distinguishing Types A and B programs was \$300,000.

The Housing Commission was determined to be a low-risk auditee.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Low Rent Program - CFDA No. 14.850a

Finding Item 07-1: Year Ended March 31, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We selected 15 public housing files to test from an Ad-hoc Tenant Report supplied by the Housing Commission. We started with the 17th tenant on the list and selected every 34th tenant after that until a total of 15 were selected from a population of 513 tenant files.

We found the following exceptions in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	2
3. Incorrect Verification of Income	2
4. Incorrect Verification of Expenses	4
5. Incorrect Verification of Assets	8
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	4
9. Copy of Photo I.D. missing	3
10. Copy of Proof of Social Security Number Verification missing	3
11. Worksheet for HUD-50058 missing or incorrect	0
12. Flat Rent/Income Based Rent Choice missing or incorrect	4
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	1
15. Declaration of 214 Status missing or incorrect	2
16. Check for Previous Eviction from Public Housing not done or incorrect	3

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

LOW Rent Program - CFDA No. 14.850a

Finding Item 07-1 (Continued): Year Ended March 31, 2007

Population and Items Tested (continued):

	<u># of Exceptions</u>
17. Annual Family Composition Review missing or incorrect	0
18. Annual Review missing or incorrect	<u>0</u>
Total	<u>36</u>

Out of a possible 270, there were 36 exceptions from this test. This represents an exception rate of 13.34%.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

Fifteen tenant files were looked at and applicable to this review.

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	P-002-2202-01			x						
2	P-003-3237-05					x	x		x	
3	P-002-3274-12			x						
4	P-002-3310-04					x			x	
5	P-003-3347-04		x	x						
6	P-004-4383-01						x		x	
7	P-002-4417-03		x	x			x		x	
8	P-004-4454-04			x						
9	P-002-4489-05			x						
10	P-003-5526-08									
11	P-006-6560-05		x	x						
12	P-003-6596-08									
13	P-001-1117-06			x						
14	P-001-1153-08			x					x	
15	P-001-1187-05									
Number of Hits		<u>0</u>	<u>3</u>	<u>9</u>	<u>0</u>	<u>2</u>	<u>3</u>	<u>0</u>	<u>5</u>	<u>0</u>
Percentage of Hits		<u>0%</u>	<u>20%</u>	<u>60%</u>	<u>0%</u>	<u>13%</u>	<u>20%</u>	<u>0%</u>	<u>33%</u>	<u>0%</u>

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Program - CFDA No. 14.850a

Finding Item 07-1 (Continued):

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Program - CFDA No. 14.850a

Finding Item 07-2: Year Ended March 31, 2007

Condition and Criteria: During testing of new admissions to the program, it was discovered that there was not adequate documentation that new admissions to the program were selected correctly from the waiting list. In addition, the waiting list process does not match the Housing Commission's policy.

Effect: Eligible tenants may not have been admitted to the program, or they may not have been admitted in the correct order.

Cause: The staff members in charge of this program did not have enough documentation to show that the new admissions were selected in the correct order. In addition, staff did not consistently follow the waiting list policy when selecting applicants from the waiting list.

Auditor's Recommendation: It is recommended that the Housing Commission improve the documentation process by placing a copy of the appropriate waiting list in a central file when a new admission comes into the program. If they are not at the top of the waiting list at the time of admission, there should be adequate documentation for anyone above them on the waiting list as to why they were skipped. Also, the process of managing the waiting list should match the policy or the policy should be changed to match a consistent process.

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-3: Year Ended March 31, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the Voucher or if all aspects of the program are being run correctly without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We started with the 2nd file and selected every 34th one after that unless a tenant moved in after the fiscal year tested in which case a tenant close to them on the list was selected, until a total of 14 files were selected to be tested from an Ad-hoc Tenant Report provided by the Housing Commission. We selected 14 tenant files to test from a population of 465 tenant files to select from.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-3 (Continued):

We found the following exceptions in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	1
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	1
5. Incorrect Verification of Assets	4
6. Inspection Report missing for fiscal year or was incorrect	0
7. Lease missing or incorrect	4
8. Application missing or incorrect	1
9. Copy of Photo I.D. missing	2
10. Copy of Proof of Social Security Number Verification missing	1
11. Annual Review not done for fiscal year or not documented	1
12. Worksheet for HUD-50058 missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	7
16. Lead Based Paint Disclosure missing or incorrect	4
17. Check for Previous Eviction from Public Housing not done or incorrect	4
18. Request for Tenancy Approval not done or incorrect	1
19. Voucher not in file or it was incorrect	1
20. HAP Contract missing or incorrect	0
21. HAP Tenancy Addendum missing	1
22. Rent Reasonableness Test missing or incorrect	0
23. Inspection-Life Threatening Corrections made >24 hours	0
24. Inspection-NonLife Threatening Corrections made >30 days or by past extension	1
25. Proper action not taken if(23) or (24) was violated	0
26. Annual Family composition Review missing or incorrect	<u>3</u>
Total	<u>37</u>

Out of a possible 364, there were 37 exceptions from this test. This represents an exception rate of 10.16%.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 March 31, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-3 (Continued): Year Ended March 31, 2007

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

Fourteen tenant files were looked at and applicable to this review.

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	000113									
2	000123									
3	001069									
4	002665						x			
5	000039			x					x	
6	000023									
7	001012		x	x						
8	001118			x						
9	001033		x							
10	001136									
11	000007			x					x	
12	002622					x				
13	001032		x	x					x	
14	000208		x							
		<u>0</u>	<u>4</u>	<u>5</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>3</u>	<u>0</u>
Number of Hits		<u>0</u>	<u>4</u>	<u>5</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>3</u>	<u>0</u>
Percentage of Hits		<u>0%</u>	<u>29%</u>	<u>36%</u>	<u>0%</u>	<u>7%</u>	<u>7%</u>	<u>0%</u>	<u>21%</u>	<u>0%</u>

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-3 (Continued): Year Ended March 31, 2007

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-4: Year Ended March 31, 2007

Condition and Criteria: During testing of the tenant files and through interviews, it was discovered that there was not proper attempts to obtain information on tenant assets, and then obtain verification of those assets in accordance to the Housing Commission's Administrative Plan in all cases.

Effect: Tenants may have been charged rents that were too low.

Cause: The staff members in charge of this program did not obtain information on possible tenant assets in all cases and then obtain the proper verifications of those assets in accordance to the Housing Commission's Administrative Plan.

Population and Items Tested: Out of the 14 files tested out of a population of 465, 4 of the 14 did not have proper tenant asset documentation. This represents an exception rate of 28.57%. In addition, some of the assets were verified, but no attempts were made to do so by the methods required first by the Administrative Plan.

Auditor's Recommendation: It is recommended that the staff obtain information on tenant assets and document the process in the tenant file. The staff should then obtain verifications of these assets. Whenever possible, these should be independent third party written verifications. The verification process needs to be in line with the Housing Commission's Administrative Plan.

JACKSON HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 March 31, 2007
 =====

Electronic
 Submission
Line Item #

	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
	(1)		
114	Cash-tenant security deposits	\$ 86,150	
111	Cash-unrestricted		\$ 86,150